

# PRESENTATION

November 7, 2012

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**Exhibit 7**

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# Aims of presentation

- To understand that there are 2 major parts of SCB – Consumer and Wholesale Banking and that the latter activities with many Iranian counterparties have been under-reported especially over the period 2008 thru 2010
- These two parts of the Bank are linked by utilising the same Transaction infrastructure – managed in Transaction Banking (Wholesale Bank)
- MIS – Management Information Systems can operate over both parts of the Bank but generally start at Transaction level with a Single yet unique Client Identifier – this would not be easily purged from the Bank's Information systems and should exist for a number of years
- To understand that SDNs were actively pursued as clients in the period 2008 -2010 through MENA region where the impact of dealing with Iran would have been most rewarded in P/L
- Back Office is in Chennai, India known as Scope Pvt for all parts of Bank – this was a signature project of Peter Sands when he arrived at the Bank. He engineered its design and build and in so doing created vast Back Office cost savings
- Trade Transactions and Cash Management were the focus of various major Sovereign State Relationships – considered to be first client “hook” – taking USD Deposits was regarded as a fundamental first step to build any Sovereign relationship. Short term USD based lending often facilitated for these State Relationships especially if collateral Hard currency or non perishable commodity goods
- There have been many issues of under-allocation of PL to SCB NY for USD correspondent services – basically this cost is not correctly charged for by the Group network – reference the MENA region under-allocations due to desire to book as many profits to Dubai DIFC HQ (0% Corporation Tax). A Sundry Account was discovered with multi year unallocated USD PL from USD FX trades for many Trade and Cash clients
- The author has copies of Internal Bank reports backing these points

# Types of deal explained with Iranian Counterparties

- 5 major deal types have been identified which happened in 2008/9 with Iranian counterparts
- 1. SCB facilitated USD Payments on behalf of Iranian SDNs made from S2B (Straight2Bank) Account Management to other counterparties
- 2. USD FX for both risk management and cash flow management and clearing
- 3. Trade Finance is written across USD LCs whereby all documentary fees are paid in USD and funding is resolved into USD from any acceptable collateral
- 4. Structured Trade Finance again is written across USD Loans and all fees and collateral resolved to USD
- 5. Corporate Finance is cash flow managed in USD and all working capital is usually funded in USD

When collateral comes in for all these transactions – physical ledger conversion to USD to facilitate next stage of transaction – all USD are held in correspondent Bank account – the only one is in SCB NY

# Regulatory Impact Deals / Enablement to trade discovered by Author

- The following trades from Bank MIS have been found to be with Iranian State owned and SDNs
- *In Dec 09 Trade Finance USD LC Deals between Bank Markazi and 4 Exporters (See slides 14-16)*
- *In Dec 09 Trade Finance USD LC Deal on behalf of MOF (as above)*
- *In Jan 09 Structured Trade Finance Deals with National Iranian Tanker Company and Exporters – 3 individual deals (See slides 18-19)*
  
- The following Iranian SDN counterparties were enabled to use the on line trading for USD FX and Payments 2008 thru 2009: *Bank Saderat and Industrial Development and Renovation Organisation of Iran (IDRO)*
- The following State owned had access as above in 2008 and 2009: *Iranian Offshore Engineering Company*
- The following Bank SDNs had USD FX Dealing limits approved in 2008: *Bank Saderat, Sepah, Keshavarzi, Export Dev Bank*

# Background

- 14 entries in Exhibit A (Appendix I) uncover small U turn transactions with individuals and SMEs - These deals are **SCB Consumer Bank** deals
- **SCB Wholesale Bank** has not yet been properly lensed and is of particular interest as it concerns dealings with Institutions
- SCB NY is a key part of these deals as it is the correspondent bank account to ALL USD FX transactions, all Trade Finance transactions and all Corporate Finance transactions
- 99% of world's global FX market requires USD correspondent facilities
- 95% of all Trade Finance Letters of Credit are written in USD and are billed in USD
- 95% of Corporate Finance Working Capital management requires USD correspondent account clearing.

# Background SCB Acronyms

- SCB – Standard Chartered Bank
- OCC – Origination Client Coverage (Relationship Management / Credit Approvals)
- FM – Financial Markets
- TB – Transaction Banking
- (All above are divisions of Wholesale Bank)
- SCI - Single Client Identifier
- P/L – Profit and Loss
- MENA – Middle East North Africa Region
- OLT 3 – On Line Trading Platform Version 3
- TB FX SUNDRY – Account that allowed FX deals to be booked with no client reference

# Background - Terms Explained

- **Trade Finance** – While a seller (the exporter) can require the purchaser (an importer) to prepay for goods shipped, the purchaser (importer) may wish to reduce risk by requiring the seller to document the goods that have been shipped. Banks may assist by providing various forms of support. For example, the importer's bank may provide a letter of credit to the exporter (or the exporter's bank) providing for payment upon presentation of certain documents, such as a bill of lading. The exporter's bank may make a loan (by advancing funds) to the exporter on the basis of the export contract. Other forms of Trade Finance can include Documentary collection, trade credit insurance, export factoring, and forfaiting. Some forms are specifically designed to supplement traditional financing. [1] In many countries, Trade Finance is often supported by quasi-government entities known as export credit agencies that work with commercial banks and other financial institutions

# Background – Terms Explained

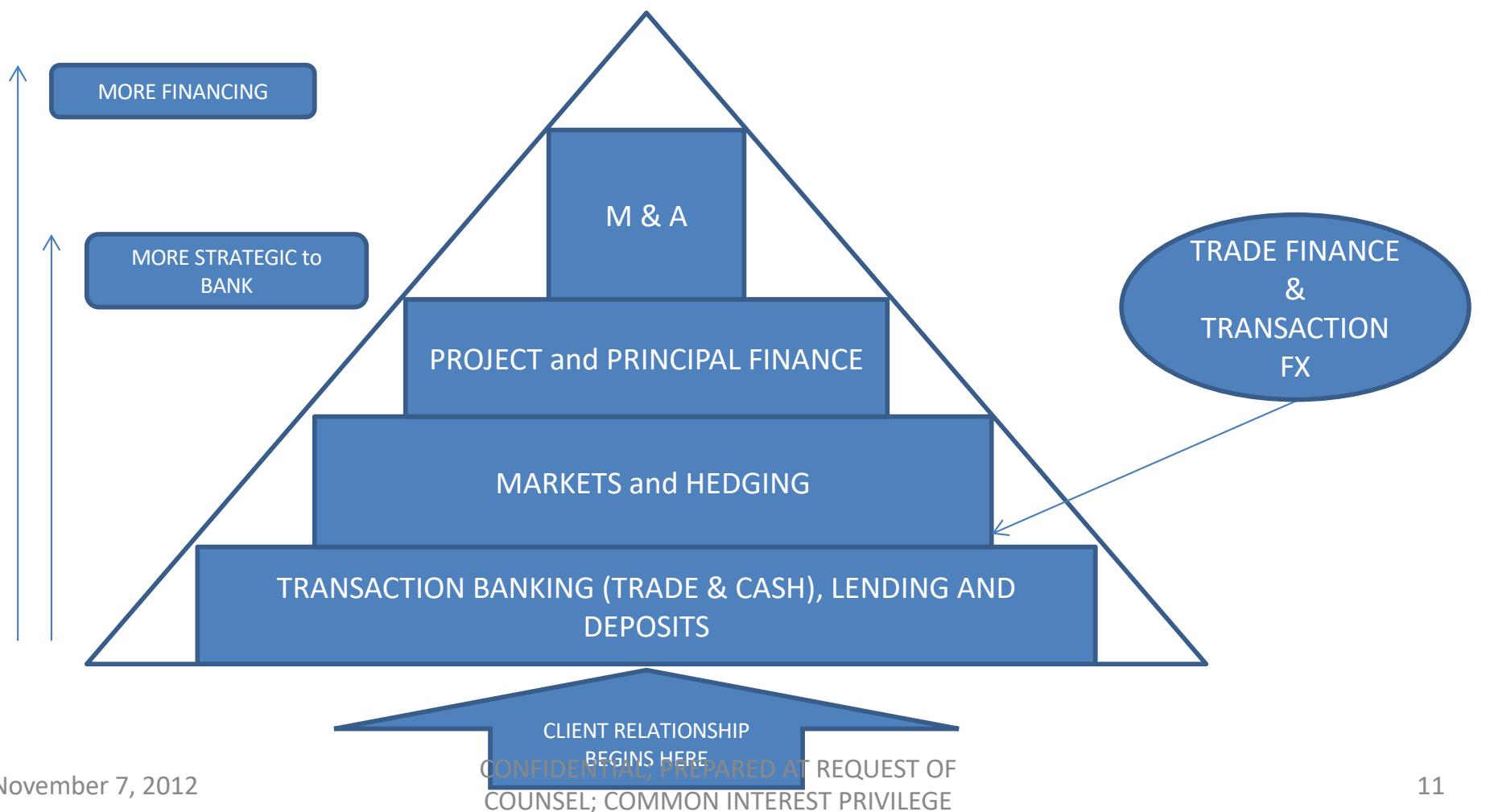
- **Structured Trade Finance** – Structured Trade and Commodity Finance is "cross-border trade finance "in emerging markets where the intention is to get repaid by the liquidation of a flow of commodities
- **Project finance** is the long term financing of infrastructure and industrial projects based upon the projected cash flows of the project rather than the balance sheets of the project sponsors. Usually, a project financing structure involves a number of equity investors, known as *sponsors*, as well as a *syndicate of banks* or other lending institutions that provide loans to the operation. The loans are most commonly non-recourse loans, which are secured by the project assets and paid entirely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors, a decision in part supported by financial modeling.<sup>[1]</sup> The financing is typically secured by all of the project assets, including the revenue-producing contracts. Project lenders are given a lien on all of these assets, and are able to assume control of a project if the project company has difficulties complying with the loan terms

# Background – Terms Explained

- **Corporate finance** is the area of [finance](#) dealing with monetary decisions that [business enterprises](#) make and the tools and analysis used to make these decisions. The primary goal of corporate finance is to [maximize shareholder value](#).<sup>[1]</sup> Although it is in principle different from [managerial finance](#) which studies the financial decisions of all firms, rather than corporations alone, the main concepts in the study of corporate finance are applicable to the financial problems of all kinds of firms.
- The discipline can be divided into long-term and short-term decisions and techniques. [Capital investment](#) decisions are long-term choices about which projects receive investment, whether to finance that investment with [equity](#) or [debt](#), and when or whether to pay [dividends](#) to [shareholders](#). On the other hand, short term decisions deal with the short-term balance of [current assets](#) and [current liabilities](#); the focus here is on managing cash, [inventories](#), and short-term borrowing and lending (such as the terms on credit extended to customers).<sup>[citation needed]</sup>
- The terms **corporate finance** and **corporate financier** are also associated with [investment banking](#). The typical role of an [investment bank](#) is to evaluate the company's financial needs and raise the appropriate type of capital that best fits those needs. Thus, the terms "corporate finance" and "corporate financier" may be associated with transactions in which capital is raised in order to create, develop, grow or acquire businesses

# Background

- Organisation of the Wholesale Bank in Standard Chartered Bank



# Author's CV in Bank

- Joined Bank on April 1 2008, was seconded to Strategy in Singapore – the main hub of the Bank guiding it's Strategic Direction – exposed to all major Acquisitions in 2008 including AMEX Bank (July 2008)
- Worked in Principal Finance
- Transferred from Singapore to lead focus on Middle Eastern Central Banks and SWFs
- Global Head of Transaction Banking Markets from 2009 – a brand new cross franchise business – the largest Sales Unit in Wholesale Bank
- Also Promoted to the Financial Institutions Management Team globally
- Left late 2011 – highest graded Global Manager in the Financial Institutions Management Team

# Management Information Systems (MIS)

- MIS from Wholesale Bank is centrally organised by SCB Singapore Accounts
- MIS can be local to the Sales area – such as in SCB Dubai – Customer wise Reporting system
- MIS is generally reported to Head of Sales, Head of Transaction Banking, Head of Global Markets, CEO of region and any requiring Markets and Transactional staff
- MIS is validated by the Date of creation and the Employee Code (7 figure)
- MIS was available to my team (Global Transactional Markets) because we were analysing performance of Wholesale Bank cross franchises in 2008/9
- MIS is also validated by unique Client codifiers – known as Single Client Identifiers
- MIS always resolves transactional PL to USD and holds this in SCB omnibus accounts in SCB NY

# Deals with State Owned Iranian Counterparties

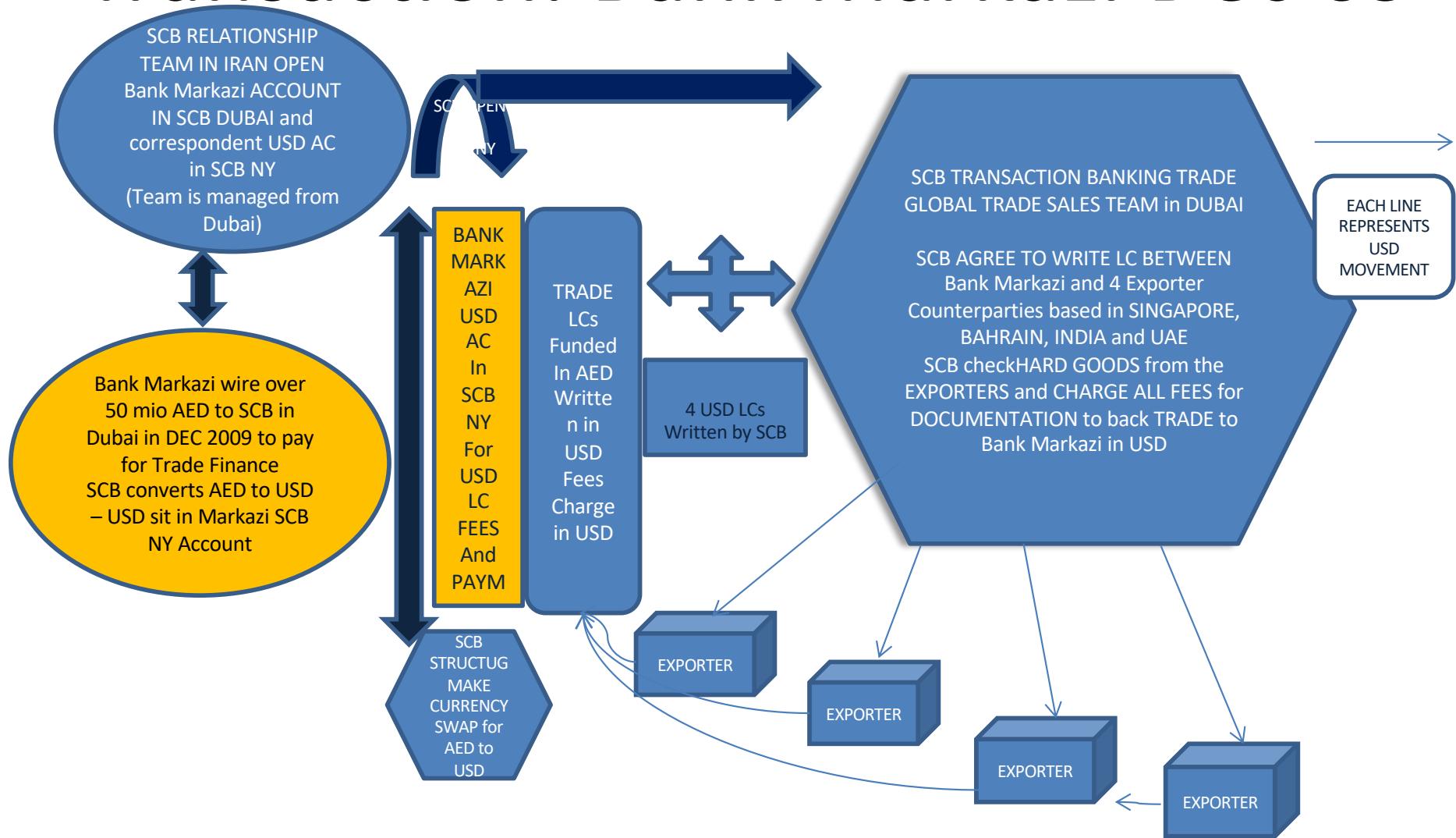
- A relationship team both in Tehran, Iran, Kish Island Iran and Dubai DIFC were responsible for managing all Institutional client relationships in Iran in Coordination with Project Green based in SCB London and SCB Dubai. CEO of SCB Iran was Mohammed Sarrafzadeh – who in particular and unusually leads Bank Markazi deals
- The following sample Counterparties have transactions done for 2009: (Reference file Bank Report- in Dec 09 CB written by Employee Code 1309067 Dec 2009)
- BANK MARKAZI JOMHOURI ISLAMI IRAN (Dec 09) Trade Finance deal with 4 exporters – in USD SCI (SCI -110051201)
- MINISTRY OF ECONOMIC AFFAIRS & FINANCE,IRAN (Dec 09) Trade Finance deal with one exporter – in USD and GBP SCI (SCI – 111506561)
- (Note: this is only lensed for 2009 and not 2008 and 2010 – using SCI code a number of other deals could be discovered)
- The following sample Counterparty had activated USD Payments and Account linked USD FX approvals in 2008 and 2009 using the OLT (On Line Trading ) platform access connected directly to S2B
- IRANIAN OFFSHORE ENGINEERING - Affiliate of National Iranian Oil Company and Ministry of Petroleum Client Code (2DGDAIOEC )

# Bank Markazi and MOF Deals

## (Copy from MIS Spreasheet Dec 09)

| Date      | SCI Group ID           | Group Name             | Group Segment | Domicile | Customer Ticket ID                   | SCI Customer ID | Customer Name              | Customer Segment   | Customer Domicile | FAM Name                            | Booking Location | Total Income | Total NII | Total NFI | Total Cash | Cash NII | Cash NFI | Total Trade Finance | Trade Finance NII | Trade Finance NFI | Total Trade Contingents | Trade Contingents NII | Trade Contingents NFI | Total Trade Transactions | Trade Transactions NII | Trade Transactions NFI | Total Trade Others | Trade Others NII | Trade Others NFI | Total SCF | SCF NII | SCF NFI | Date Year         | Date Month        | TBS (Transaction Banking Sales) | TBS Location | RTS                    | RTS Location | GTS (Global Trade Solutions) | GTS Location |
|-----------|------------------------|------------------------|---------------|----------|--------------------------------------|-----------------|----------------------------|--------------------|-------------------|-------------------------------------|------------------|--------------|-----------|-----------|------------|----------|----------|---------------------|-------------------|-------------------|-------------------------|-----------------------|-----------------------|--------------------------|------------------------|------------------------|--------------------|------------------|------------------|-----------|---------|---------|-------------------|-------------------|---------------------------------|--------------|------------------------|--------------|------------------------------|--------------|
| Dec-09821 | 990024 IRAN GOVERNMENT | FINANCIAL INSTITUTIONS | IR            | I        | 4V1YVKV 110051 BANK MARKAZI JOMHOURI |                 |                            | FI - Central Banks | IR                | MOHD SARRAF ZADEH AE NG, Karen Ping | AE               | 36,421       | -9,984    | 46,405    | -7,461     | -7,461   | 0        | 43,883              | -2,522            | 46,405            | 0                       | 0                     | 0                     | 0                        | 0                      | 0                      | 0                  | 0                | 0                | 0         | 0       | 0       | 0                 | 0                 | 0                               | 0            | Sen 12Gupta,IndranilAE | AE           | Iqbal,M otasim AE            | AE           |
| Dec-09821 | 990024 IRAN GOVERNMENT | FINANCIAL INSTITUTIONS | IR            | I        | 4PE8BPE 110051 BANK MARKAZI JOMHOURI | 8               |                            | FI - Central Banks | IR                | Karen Ping                          | SG               | 4,274        | 4,274     | 0         | 4,274      | 4,274    | 0        | 0                   | 0                 | 0                 | 0                       | 0                     | 0                     | 0                        | 0                      | 0                      | 0                  | 0                | 0                | 0         | 0       | 0       | 0                 | 0                 | 0                               | 0            | Iqbal,M otasim AE      | AE           |                              |              |
| Dec-09821 | 990024 IRAN GOVERNMENT | FINANCIAL INSTITUTIONS | IR            | I        | 4VQ3M7 110051 BANK MARKAZI JOMHOURI  | ON              | 201 ISLAMI IRAN            | FI - Central Banks | IR                | ISHAQ AHMAD MOHD BH                 | BH               | 0            | 0         | 0         | 0          | 0        | 0        | 0                   | 0                 | 0                 | 0                       | 0                     | 0                     | 0                        | 0                      | 0                      | 0                  | 0                | 0                | 0         | 0       | 0       | 0                 | Iqbal,M otasim AE | AE                              |              |                        |              |                              |              |
| Dec-09821 | 990024 IRAN GOVERNMENT | FINANCIAL INSTITUTIONS | IR            | I        | 4SFWEST 110051 BANK MARKAZI JOMHOURI | 8               |                            | FI - Central Banks | IR                | Anchan , Anjali IN                  | IN               | -0           | -0        | 0         | -0         | -0       | 0        | 0                   | 0                 | 0                 | 0                       | 0                     | 0                     | 0                        | 0                      | 0                      | 0                  | 0                | 0                | 0         | 0       | 0       | 0                 | Iqbal,M otasim AE | AE                              |              |                        |              |                              |              |
| Dec-09821 | 990024 IRAN GOVERNMENT | FINANCIAL INSTITUTIONS | IR            | I        | 4QC35JV 111506 MINISTRY OF ECONOMIC  | N               | 561 AFFAIRS & FINANCE,IRAN | FI - Central Banks | IR                | Jasma Jobanputra                    | GB               | 0            | 0         | 0         | 0          | 0        | 0        | 0                   | 0                 | 0                 | 0                       | 0                     | 0                     | 0                        | 0                      | 0                      | 0                  | 0                | 0                | 0         | 0       | 0       | Iqbal,M otasim AE | AE                |                                 |              |                        |              |                              |              |

# Sample Iranian State-owned Transaction: Bank Markazi Dec 09



# P/L re-allocation to SCB NY

- The Sample Transaction indicates that P/L has not been correctly attributed at MIS level to SCB NY.
- P/L was exclusively booked to the Customer originated centres and not appropriated to the Internal SCB NY for use of the clearing facilities that were so crucial to this
- As SCB Dubai offers a much Superior Tax situation to the rest of SCB Office Group with the exception of SCB Mauritius.
- In Oct 2012 SCB NY started an audit to re-allocate P/L from previous years to NY
- Similar situations of incorrect attribution to SCB NY existed for USD Deposits taken from Central Banks in the MENA region – whereby P/L was allocated to the Country in which the CB was located – See Appendix II Lebanon
- Normal Spreads would re-allocate at least 1/3 of Total Fees due back to SCB NY for clearing services

# Deals with Iranian SDN counterparties

- The following sample Counterparties have transactions done for 2009 (Reference file is MENA Customerwise Sales Report 2009 – written by Employee Code 1164484 25/2/09)
- In Jan 2009, three Structured Trade Finance Deals with National Iranian Tanker Company (NITC)
- In 2008 and 2009 – Bank Saderat were fully enabled for USD Clearing and USD FX – Client Code was (2DMAABSID)
- (Reference file is CLIENT BRANCH USER SET UP 2009 – written by Employee Code 1282758 16/2/09)
- Bank Saderat were also targeted for business in London and Abu Dhabi – which are recognised as full branches of Bank Saderat
- In 2008 and 2009 – the following SDNs were also fully enabled for USD Clearing and USD FX via the OLT system (Reference file is OLT\_client\_CC\_Alwaysexecute – written by Employee Code 1163847 8/1/09)
- IDRO – Industrial Development and Reconstruction of Iran
- Parsian Group – Client Code (2DGIAPHV )

# SDN Deals with NITC

## (Copy from MIS Spreadsheet Jan 09)

| eBBS Master No | Customer Name                                  | P/L USD Product          | Group             | Date of Transaction | PSGL Cust |        |                   | Business     | Biz Unit | Country |
|----------------|--|--------------------------|-------------------|---------------------|-----------|--------|-------------------|--------------|----------|---------|
|                |  |                          |                   |                     | Class     | NetFee | Inc /             |              |          |         |
| 4217349        | BANQUE D'ALGERIE                               | 14,625.10 Options        | FX                | Jan-09              | 600       | NFI    | BANKS             | Institutions | IRAN     | IRAN    |
| EP             | EQUATE PETRO CO                                | 6,158.11 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| EBNGL          | EL BEHERA NATURAL GAS LIQUEFACTION COMPANY     | 3,530.37 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| EM             | EGYPTIAN METHANEX METHANOL CO. SAE             | 4,284.96 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| SEG            | SPANISH EGYPTIAN GAS CO                        | 4,272.04 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| BT             | Bank Tejerat                                   | 5,000.00 Proj Exp Fin    | Corporate Finance | Jan-09              | 600       | NII    | BANKS             | Institutions | IRAN     | IRAN    |
| SGP            | SUEZ GULF POWER S.A.E                          | 3,011.49 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| SPC            | Saudi Polymers company                         | - 878.30 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| KPCC           | KUWAIT PATROCHEMICAL PRODUCTION COMPANY (KPPC) | 10,959.63 Proj Exp Fin   | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| PSEP           | PORT SAID EAST POWER S.A.E                     | 3,356.02 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NFI    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| NITC           | NATIONAL IRANIAN TANKER COMPANY                | 1,275.87 Stru Trade Fin  | Corporate Finance | Jan-09              | 500       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| 2049260        | OIL INDUSTRIES ENGINEERING & CONSTRUCTION      | 24,515.57 Stru Trade Fin | Corporate Finance | Jan-09              | 350       | NII    | LOCAL CORPORATES  | Corporates   | IRAN     | IRAN    |
| 2815001        | APM INTERNATIONAL FZE                          | 0.00 Stru Trade Fin      | Corporate Finance | Jan-09              | 350       | NII    | LOCAL CORPORATES  | Corporates   | IRAN     | IRAN    |
| NITC           | NATIONAL IRANIAN TANKER COMPANY (NITC)         | 683.24 Stru Trade Fin    | Corporate Finance | Jan-09              | 500       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| NITC           | NATIONAL IRANIAN TANKER COMPANY (NITC)         | 683.24 Stru Trade Fin    | Corporate Finance | Jan-09              | 500       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| 3294420        | ALSHAYA UNITED CO WLL-Mtd Jan 09               | 344,100.00 Corp Adv      | Corporate Finance | Jan-09              | 350       | NII    | LOCAL CORPORATES  | Corporates   | IRAN     | IRAN    |
| SEG            | Spanish Egyptian Gas                           | 8,000.00 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| EP             | EQUATE PETRO CO                                | 2,000.00 Proj Exp Fin    | Corporate Finance | Jan-09              | 400       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| EM             | EGYPTIAN METHANEX METHANOL CO. SAE             | 54,000.00 Proj Exp Fin   | Corporate Finance | Jan-09              | 400       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| ELNG           | Egypt LNG                                      | 10,000.00 Proj Exp Fin   | Corporate Finance | Jan-09              | 400       | NII    | GLOBAL CORPORATES | Corporates   | IRAN     | IRAN    |
| Report Authors | Employee Code 1164484 25 Feb 09                |                          |                   |                     |           |        |                   |              |          |         |

# Active USD vs FX Limits for SDNs in 2008

## (Copy of Spreadsheet)

|                                 | SPOT USD FX   | FORWARD USD FX |
|---------------------------------|---------------|----------------|
| BANK KESHAVARZI                 | 5             | 0.1            |
| BANK MARKAZI-IRAN-CB            | 50            | 10             |
| BANK MASKAN                     | 5             | 0.1            |
| BANK MELLAT                     | None          | None           |
| BANK MELLI IRAN                 | None          | None           |
| BANK REFAH                      | None          | None           |
| BANK SANATMADAN                 | None          | None           |
| BANK TEJARAT                    | Trade Finance | Trade Finance  |
| EXPORT DEVELOPMENT BANK OF IRAN | 10            | 0.1            |
| SADERAT BANK                    | 40            | 1.5            |
| SEPAH BANK (HEAD OFFICE)        | 40            | 4              |

LIMITS REQUIRE RISK WEIGHTED CAPITAL IN ORDER TO BE LIVE LIMITS – THIS IS A COST TO THE BANK

# Copy of Spreadsheet MIS containing USD payments and USD FX enablement for Iranian SDNs in 2008/9

| Client            | Password | User Code         | User name         | User Long name | Profit Currency | Timezone  | User Type | Enabled       | Branch | SCDU ID   | Phone no. | FX | Dealing Status | Contract Limit | Settlement Limit | Contract Limit | Average Group |
|-------------------|----------|-------------------|-------------------|----------------|-----------------|-----------|-----------|---------------|--------|-----------|-----------|----|----------------|----------------|------------------|----------------|---------------|
| Bank Saderat Iran | JBDAHKB  | Hamid Khalajzadeh | Hamid Khalajzadeh | USD            | GMT             | Corporate | Yes       | to be advised |        | 9.7146+12 |           |    |                |                |                  |                |               |
| Bank Saderat Iran | JBDAHFB  | Mohsen Bhatia     | Mohsen Bhatia     | USD            | GMT             | Corporate | Yes       | to be advised |        | 9.7146+12 |           |    |                |                |                  |                |               |
| Bank Saderat Iran | JBDAHMB  | Hassan Bhatia     | Hassan Bhatia     | USD            | GMT             | Corporate | Yes       | to be advised |        | 9.7146+12 |           |    |                |                |                  |                |               |

| Action     | Code             | Short Name                   | Long Name     | Client Type | Branch | 2 Way Pricing | Dealing Status | Margin Group | Limit Ccy | Extended precision | Allow Truncation | Allow Reciprocal Rates | Min Fwd Period | Max Fwd Period | Account Manager Contact | Phone Number | Contact | Address1 | Address2 | Address3 | City | PostCode | Phone Number | FX Settlement Limit | FX Contract Limit | SP Trans Limit | OU Trans Limit | SW Trans Limit |
|------------|------------------|------------------------------|---------------|-------------|--------|---------------|----------------|--------------|-----------|--------------------|------------------|------------------------|----------------|----------------|-------------------------|--------------|---------|----------|----------|----------|------|----------|--------------|---------------------|-------------------|----------------|----------------|----------------|
| New Client | IRAN OFFSHORE EN | IRANIAN OFFSHORE ENGINEERING | Normal Client | IRANCON     | T      | Off           | Normal Trading | USD          | Yes       | Yes                | TOD              | 1Y                     |                |                | @SCDU JBDA              |              |         |          |          |          |      |          |              |                     |                   |                |                |                |

| Client Code | Client name     | Client Long name        | Client Type   | Branch  | Price Restriction Group | Margin Group | External Credit Check | Allow Truncation | Account Manager contact | Phone no. | FX | MM                | Contact     | Address1 | Address2 | Address3 | Postcode       | Dealing status | Client type | Two-way pricing Spots Forwards Swaps | Allow NDF's | Allow Reciprocal rates | Forward Periods | Limits |         |        |
|-------------|-----------------|-------------------------|---------------|---------|-------------------------|--------------|-----------------------|------------------|-------------------------|-----------|----|-------------------|-------------|----------|----------|----------|----------------|----------------|-------------|--------------------------------------|-------------|------------------------|-----------------|--------|---------|--------|
| 2DMAABSID   | Bk Saderat Iran | Bank Saderat Iran Dubai | Normal Client | DUBINST | MEPA_OFF_N              | AE_INSTITUT  | Yes                   | Non Feds Site    | 9714355137              |           |    | Hamid Khalajzadeh | PO Box 4182 | Dubai    | UAE      |          | Normal Trading | Normal Client  | USD         | Yes                                  | Yes         | TOD                    | 1Y              | \$1mio | \$10mio | \$1mio |

# Timeline on SDNs

- Reference **FACT SHEET: OVERVIEW OF IRANIAN-LINKED FINANCIAL INSTITUTIONS DESIGNATED BY THE UNITED STATES 23 Jan 2012**
- NITC – State owned was sanctioned in 2005, evidenced by a Treasury settlement that year ( we have trades in 2009)
- Bank Sepah – State owned and SDN from Jan 2007
- Bank Saderat – State owned and SDN from October 2007
- Bank Keshavarzi – Agriculture Bank of Iran and State owned and SDN from October 2007
- Export Development Bank of Iran from October 2008

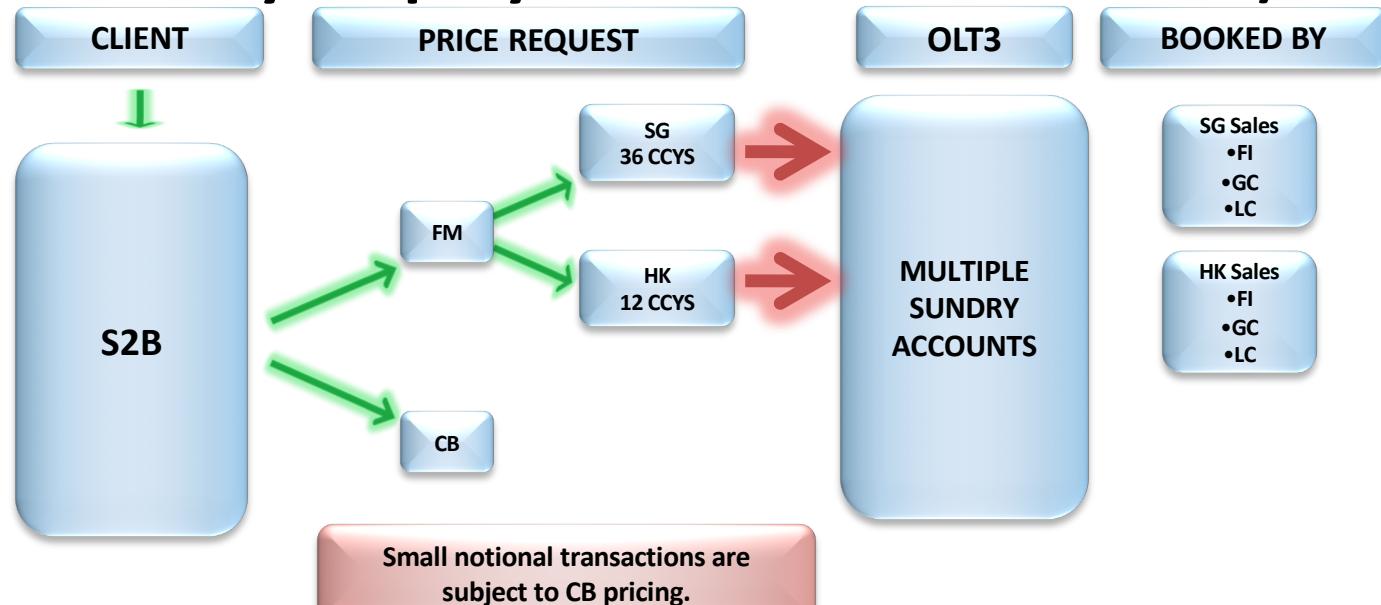
# TB Sundry FX Account issues

- Author's Global Team carried out MIS studies in 2009 covering all Accounts where FX revenue was booked to Financial Markets from the Transaction Banking clients
- Team discovered and reported a massive under allocation of 100 mio USD for FX P/L in the TB Sundry FX Account
- 95% of FX deals required USD correspondent accounting – ie: would touch SCB NY
- This was reported to the Global Head of Institutional Sales, Global Head of FM Ops, Global Head of Sales and the COO FM and the Financial Markets Management Team in 2009 and 2010
- Author's Team created a fix for this but were not allowed to implement it until mid 2010
- This PL came from period 2007 onwards
- PL was for all cross border FX relating to Trade, Cash Management and Custody FX for Transaction Banking clients
- Was still unallocated at time of Author leaving Bank in late 2011
- The method of booking to a Sundry Account started because no line of sight on Transaction Banking clients in Financial Markets
- Problem was most acute in MENA and South East Asia
- This practice would allow an FX Deal to be booked and for client details to be stripped – so SDNs and State owned Iranian clients could be transacted for in Wholesale Banking
- See Appendix VI for witness statement

# TB Sundry FX Account – problems (Copy of presentation to Global Markets Head 2009 by Employee 1148934 and Author)

## PROCESS

- Client order routes through S2B which is filtered at a notional level.
- Anything under a specified notional is diverted to Consumer Banking (CB), and is subject to CB pricing
- Remaining FX requests go through an FM sales pricing location depending on CCY requested - SG or HK.
- Price request goes through the RFQ OLT3 system as a sundry account transaction, where no client information is recorded.
- Price is at discretion of sales person
- This is booked through sales across the various sales units globally.



## Disadvantages:

- We cannot price the client – only the transaction, as there is no line of sight on the client.
- Inconsistent pricing between countries.
- No single point of contact for Transaction Banking
- Anything under a certain notional value is diverted and priced by CB.
- Revenue is restricted by number of currencies which differs by country, resulting in FX being routed to beneficiary bank – **not SCB**
- **All revenue is untagged and disjointed by booking centre and falls into a Sundry account**

} **Inconsistent pricing.**

} **Missed Revenue**

} **Limited MIS – no client-wise info<sup>24</sup>**

# Project Green

- A Project run out of the CFOs office to facilitate SCB Clients Trade Finance including Cash Management and to specifically navigate the SCB Clients around any Global Sanctions
- Set up post Sep 11 2001 as a direct response to increase in Global Sanctions
- Managed between SCB London and SCB Dubai
- Many Senior Managing Directors employed including (SH and VK)
- All MDs were very adept in Trade Finance
- Also many were pivotal in setting up State owned CB and MOF relationships – all MDs big exponents of doing business in Iran as evidenced in Public Domain comments
- Public Domain evidence of it uncovered in 2012
- (See witness statement in Appendix III)

# Key Management Involvement

- Band Structure in Bank (Band 1s are CEO and Global Heads, Band 2s and 3s are Senior Managing Directors)
- In Iranian State owned deal – over 10 key MDs can be identified from OCC (Origination and Client Coverage) to Global Transaction Banking Sales to Head of FM Structuring and Head of FM Sales (Appendix V)
- In SDNs – again over 10 key MDs (Band 2 and Band 3)can be identified
- SCB Group Staff in all involved areas of Wholesale Banking can be identified including Responsible Persons and Directors (Band 1)
- See Appendix V with full list of staff involved

# Conclusion

- All MIS supporting this presentation now exists on a Key FOB Memory Stick
- Specifically focuses on period 2008 thru 2010
- Author available for all supporting work
- Author available as key material witness – very few people in Bank held senior positions between Transaction Banking and Markets and would be able to articulate the USD correspondent impact of such deals as well as be privy to the MIS behind them
- Author available for in-depth understanding of the MIS structure and where to isolate PL reports outlining the lack of correct re-allocation to SCB NY and the State of NY
- Sundry Account issue created the ability to book Client FX deals with no client reference
- Author also has MIS from 2006 and 2007 that shows Iranian SDN dealings that should be cross-referenced to NY DFS Settlement 1 Oct 2012

# Appendix

- **Appendix I – from 1 Aug 2011 State of NY QNA Peterson Subpoena Civil Case**

| EXHIBIT A                     |                                       |                             |                                 |  |              |
|-------------------------------|---------------------------------------|-----------------------------|---------------------------------|--|--------------|
| TRANSACTION DATE<br>104782,09 | REMITTING BANK                        | REMITTER                    | BENEFICIARY                     | 3RD PARTY BENEFICIARY                        | USD AMOUNT   |
| 22-Apr-08                     | CREDIT EUROPE BANK BV                 | YESILADA BANK LTD           | SAMAN BANK CORP, TEHRAN, IR     | SASSAN KOMEILI ZADEH                         | \$7,400.00   |
| 8-Oct-08                      | HDPC BANK LIMITED MUMBAI              | MARIA AMIN BAIG             | MELLAT BANK FARHANG BRANCH      | MEHRAN JAFARI                                | \$20,970.00  |
| 14-Oct-09                     | INTERNATIONAL COMMERCIAL BANK ALBANIA | MIRELA MITRI                | BANK SADERAT IRAN               | AL KAWTNAR                                   | \$3,500.00   |
| 16-Oct-09                     | SB SBERBANK JSC                       | IMANBAEV ZHALGAS AL TAEVICH | EXPORT DEVELOPMENT BANK OF IRAN | RAF RAF DESIGNING MANUFACTURING AND COMML CO | \$6,835.00   |
| 11-Jan-10                     | TATRA BANKA                           | HASSANZADEH MORTEZA         | BANK MELLI IRAN, TEHRAN         | HAMEH Ruzbehani                              | \$45.00      |
| 1-Apr-10                      | BANK OF GEORGIA                       | LTD SAQNAKISHIRI            | BANK MELLA CJSC YEREVAN         | EL MET SHIN LTD CO                           | \$24,500.00  |
| 22-Apr-10                     | INDIAN OVERSEAS BANK                  | CHANDER BHUSAN BATRA        | BANK SADERAT IRAN               | ARYAN REAL ESTATE                            | \$3,000.00   |
| 11-May-10                     | INDIA OVERSEAS BANK                   | ANTIQUE ART EXPORT PVT LTD  | EXPORT DEVELOPMENT BANK OF IRAN | BARCHASB FAM PARS                            | \$1,868.50   |
| 4-Jun-10                      | BANCO PATAGONIA SA                    | CALVAGNO ANTONINA           | BANK MELLAT, ZANJAN, IRAN       | DIANA NOEMI DIAZ                             | \$5,000.00   |
| 1-Jul-10                      | OISC DEMIRBANK                        | AVANQARD N MMC              | BANK TEJARAT, TEHRAN, IRAN      | ARMAN CO                                     | \$5,300.00   |
| 12-Jul-10                     | STATE BANK OF INDIA                   | WG CDR (RETD) S.Z MOHSIN    | BANK MELLAT QOM, IRAN           | SYED IMRAN MOHSIN                            | \$100.00     |
| 13-Aug-10                     | BANCA CARIGE SPA                      | IRASCO SRL                  | LLOYD'S TSB BANK PLC            | GARY KELSEY                                  | \$310.00     |
| 13-Aug-10                     | BANCA CARIGE SPA                      | IRASCO SRL                  | NATWEST BANK PLC                | JOHN RICHARD SNEADE                          | \$310.00     |
| 9-Sep-10                      | ARARATBANK CJSC                       | STEKKO LLC                  | GARANTI BANKASI                 | MARMARA CAM AYNA LTD STI                     | \$12,818.99  |
| 5-Oct-10                      | CREDICORP BANK                        | PRO ALIMENTOS, S.A          | EXPORT DEVELOPMENT BANK OF IRAN | RAZAVI YEAST CO                              | \$11,325.00  |
| 26-Oct-10                     | JOINT STOCK COMMERCIAL BANK           | ZANIANI TAVASSOLI           | BANE MELLI IRAN, DUBAI          | MASOUD AZIZI                                 | \$1,500.00   |
|                               |                                       |                             |                                 |  | \$104,782.09 |

# Appendix

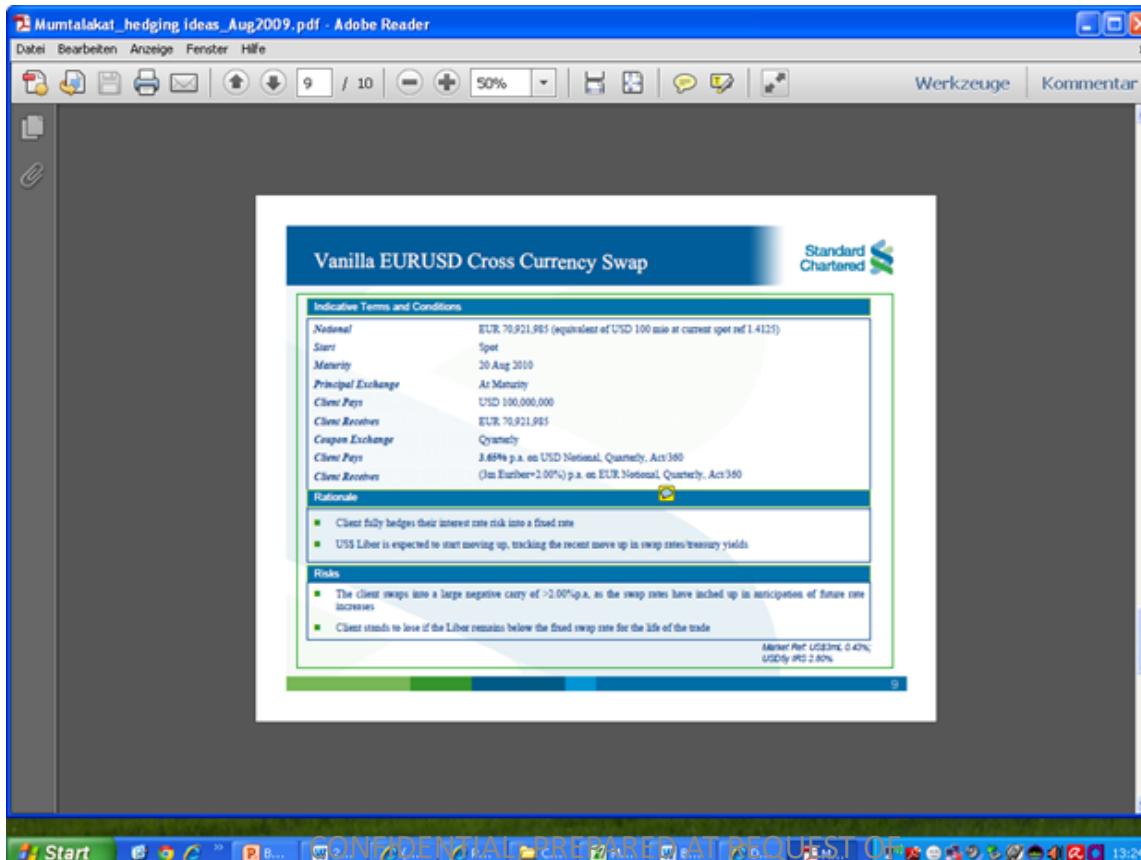
- **Appendix II**
- In 2009 – approx 1 bio USD was taken as a series of USD Term Deposits from Banque du Liban.
- This P/L was initially booked entirely into SCB Dubai in the Tax Free Zone of the DIFC by Walid Salemh and Charlotte Hammond – Financial Markets Sales employees under the guidance of Reporting Officers Sami Mahfouz and Harish Hermandes in July 2009
- There was no P/L re-allocated to SCB NY for use of USD correspondent accounts
- Pik Yee Fong – CEO of SCB Lebanon petitioned for the P/L to be booked back to SCB Lebanon
- Head of GM MENA – Daniel Azzi – re-allocated P/L to SCB Lebanon in Sep 2009 after visiting SCB Lebanon on vacation in Summer of 2009

# Appendix

- **Appendix III**
- Witness Statement from Author 27<sup>th</sup> Oct 2012
- “I joined Strategy at SCB in April 2008 – every new acquisition was termed as a Project. I was allowed access to the Internal Bank Intranet – in July 2008. I found that a Project was listed on the Intranet – Project Green – co-located in SCB Dubai and London. One of the senior MDs was listed as Stuart Horsewood based in SCB Dubai. I was transferred to the UAE in Jan 2009. I met with the Head of OCC for Dubai Institutions – Julian Gladwin in Feb 2009, He informed over drinks about Project Green – concerning Iran and helping clients navigate around global sanctions and that his MD was involved Akhil Mahesh. In 2010 I was involved in a Due Diligence Assessment of a Bank in Iraq. This occurred over several years. During 2010 ,I approached Stuart Horsewood (ex CEO Iraq) to help with issues concerning the Trade Bank of Iraq. I then asked over coffee in Jan 2011 about Project Green. He informed me that this project had been live for many years – was named after President Bush’s Task Force Green and was very successful in routing clients around Global Sanctions. ”

# Appendix

- **Appendix IV**
- Typical Currency Swap Hedge offered to a Sovereign in MENA – Note the extensive use of USD Correspondent accounts in effecting this trade



# Appendix

- **Appendix V**
- SCB Staff involved in Iranian State-owned Transaction:
- CEO MENA – Shayne Nelson, Head of OCC MENA – Hassan Jarrar, Head of OCC Financial Institutions – Akhil Mahesh, Head of Project Green MENA – Vikram Kukreja and Stuart Horsewood, CEO Iran – Mohammed Sarrafzadeh, Head of Global Transaction Banking Sales – Motassim Iqbal, Head of Global Markets MENA – Lee Boon Haut, Head of Accounts – Darren Warner, Head of Transaction Banking – Farooq Siddiqi, Head of Structuring Harinder Singh, Head of FM Sales – Harish Hermandes
- Global Head Wholesale Banking SCB – Mike Rees, Global Head of Transaction Banking Karen Fawcett, Global Head of Financial Markets – Lenny Feder, CFO SCB - Richard Meddings
- CEO of SCB – Peter Sands

# Appendix

## ○ Appendix VI

- For Information
- Witness Statement SUNDRY FX Accounts for Transaction Banking
- Author : Relator Oct 29<sup>th</sup> 2012
- Subject – 100 mio USD of allocated P/L in Transaction Banking Sundry Accounts end of 2009
- “The Relator was tasked with complete overall of the Cross Franchise MIS system and valuation of the real true P/L impact of cross franchise deals from mid 2009. The Relator’s direct report was Adrian Walkling (Global Head of FI Sales SCB Financial Markets and Band2 ) and indirect to the Global Head of Transaction Banking, Karen Fawcett (Band1) and Lenny Feder, Global Head of Financial Markets (Band1).
- The Relator and his team (Priya Jain, Raghu Raman and Diana Wei Ang) quickly found that there was a large issue distorting both the accurate picture of P/L but also giving the bank great settlement risk. In Dec 09 – the Relator concluded that there was over 100 mio USD of unallocated USD FX P/L and also serious settlement risk on the deals behind this P/L- effectively the deals had not been settled to the underlying client account so – both the client’s account balance would have been mis-represented and also the Profit paid to internal divisions of the Group such as SCB NY. This booking of many deals to a Sundry Account rather than the actual underlying account would actually prevent correct settlement of the deal. It would also prevent the Group representing correct profits and payments for USD correspondent banking services to the rest of the group for the period estimated to be at least from 2007 to 2009. 99% of the deals were USD vs Foreign currencies – so the impact on PL to SCB NY would have been at least 20,000,000 USD as 20USD from each 1 mio USD would have been rewarded back to NY for correspondent services.
- The Relator raised this to his direct report over numerous emails and calls. The Relator also had his findings validated by the Head of FM Operations – Neil Brown (now Head of Scope for the Group).
- The Relator then launched a campaign to put in place controls and procedures but met resistance in FM Sales in Singapore where the Desk responsible for many of these erroneous bookings – FM Sales for TB Corporate Clients run by Karen Lim and supervised by David Carr –Global Head of FM Sales – were very angry that this process had been uncovered as they were achieving bonus on this Sundry FX P/L at normal Bonus rates within the Group. One of the dealers on this desk – Kelvin Lau made many protestations to senior management – since the Relator left the Bank – Lau was exited and Lim was put into the control structure that the Relator devised – namely TB FM structure.
- The Relator has a number of presentation files that indicate that there was a TB Sundry Account issue that the Relator’s team were fixing. “
-